

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
SPECIAL TELECONFERENCE MEETING

Location of Meeting
11th Floor Treasury Conference Room, State Office Building
311 Willoughby Avenue, Juneau, Alaska

MINUTES OF
May 2, 2007

CALL TO ORDER

Vice Chair SAM TRIVETTE called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:02 a.m.

ROLL CALL

Six trustees were present at roll call to form a quorum.

ARMB Board Members Present

Gail Schubert, *Chair* (joined at 9:05 a.m.)
Sam Trivette, *Vice Chair*
Commissioner Annette Kreitzer
Martin Pihl
Tom Richards
Larry Semmens
Mike Williams

ARMB Board Members Absent

Gayle Harbo
Commissioner Patrick Galvin

Department of Revenue Staff Present

Brian Andrews, Deputy Commissioner
Gary M. Bader, Chief Investment Officer
Julie Pierce, State Comptroller
Ryan Bigelow, Investment Officer
Bree Simpson, Asst. Investment Officer

Department of Administration Staff Present

Patrick Shier, Director, Division of Retirement and Benefits

Others Present

Rob Johnson, board legal counsel
Mike Barnhill, Department of Law
David Teal, Legislative Finance Division
Cindy Spanyers

PUBLIC MEETING NOTICE

BREE SIMPSON confirmed that the meeting had been properly noticed.

APPROVAL OF AGENDA

COMMISSIONER KREITZER moved to approve the agenda. MIKE WILLIAMS seconded.

MR. SEMMENS requested a brief discussion about what the board expects from the actuary in June.

CHAIR GAIL SCHUBERT joined the meeting by teleconference at 9:05 a.m. and took over the duties of chair.

The agenda was approved as amended.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There was no one present in Juneau or on teleconference who wished to address the board.

ACTION MEMO: SENATE BILL 125 RELATING TO A PERS DEFINED BENEFIT PLAN COST SHARING SYSTEM / FY08 PERS CONTRIBUTION RATE

Chief Investment Officer GARY BADER stated that at the April 26-27, 2007 ARMB meeting, Miles Baker, finance aide for Senator Stedman, and David Teal, fiscal analyst for the Legislative Finance Division, made a presentation to the board regarding Senate Bill 125. SB 125 is the initiative the Legislature is looking into for implementation of the Public Employees' Retirement System (PERS) Defined Benefit Plan. The proposed legislation would set employer contribution rates for all PERS employers at 22% of payroll, with the State of Alaska paying the remainder of the recommended actuarial rate that the ARMB approves.

DAVID TEAL reported that additional hold-harmless provisions have been added to the bill since a week ago. Also, version L of the draft bill has replaced version K, with some very minor language changes explaining a reference to the defined contributions.

COMMISSIONER KREITZER said the board's action today is to give the Legislature a sense of whether or not the board would consider keeping the employer contribution rate at 32.51%, considering everything that is currently in SB 125. Staff crafted a resolution to address SB 125 as it stands today, with the understanding that the bill may go through additional changes as it goes through the House. The proposed resolution 2007-19 would not bind the board should the House take a completely different approach with SB 125. Staff did not include the Teachers' Retirement System (TRS) in the resolution because there are some unknowns about TRS at this point. That may be another resolution for the ARMB to consider separately later.

MR. TRIVETTE asked Mr. Semmens, as a representative of the Alaska Municipal League, if PERS employers understand that SB 125 appears to increase their payments on Tier IV employees from about 10% now up to about 22%.

MR. SEMMENS replied that he believed the Alaska Municipal League understood that and they are communicating with their membership about the contribution level that would be required under SB 125. To his knowledge, the Alaska Municipal League has not received significant disagreement with the approach of SB 125. David Teal had mentioned that some municipalities whose FY08 rate, as set by the ARMB, would be less than 22% would receive more State aid under version L than under previous versions of the bill. From that standpoint, he would expect more support from municipalities, particularly from those whose rate is below 22% as set by the ARMB. He did not think the Alaska Municipal League had any significant problem with SB 125 as it is right now.

MR. TRIVETTE asked who did the analysis of the changes to SB 125. MR. TEAL said it was Miles Baker of Senator Stedman's staff.

ROB JOHNSON, the board's legal counsel, asked that someone advise the board as to the status of SB 123, which is also referenced in the proposed resolution.

COMMISSIONER KREITZER reported that SB 123 is back to the Senate today for concurrence, and she has communicated with Senator Stevens' office, the Senate Majority Leader, to make sure they have what they need to be able to concur with the House changes.

COMMISSIONER KREITZER moved that the Alaska Retirement Management Board consider Resolution 2007-19. SAM TRIVETTE seconded.

TOM RICHARDS moved to amend the last paragraph of the resolution to replace "(version K)" with "(version L)" to reflect the correct version before the board. MIKE WILLIAMS seconded.

MR. TRIVETTE said he did not think the board wanted to get into the percentages of the contribution rate the employers would pay and the State of Alaska would pay. The board has never heard a presentation on that, and by supporting this resolution the board is not supporting any specific rate. The ARMB supports the full employer contribution rate for FY08 spread across the employer base.

Roll call vote (on motion to amend)

Ayes: Semmens, Williams, Richards, Pihl, Trivette, Kreitzer, Schubert

Nays: None

The motion passed unanimously.

Roll call vote (on main motion to adopt the resolution)

Ayes: Pihl, Richards, Williams, Semmens, Trivette, Kreitzer, Schubert

Nays: None

The motion passed unanimously, 7-0.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

What The Board Expects From the Actuary in June

MR. SEMMENS said his concern is that the board has asked the actuary, Buck Consultants, to provide a valuation based on the assumption changes from the experience study and changing to a level dollar funding method. The board needs that valuation for accounting purposes. But if that is all the board gets from the actuary, it will be left wondering what to do next. With the resolution of intent to lower the rate to the level percentage of payroll method, the board will not have the information from Buck to know what the level percentage of pay method rate will be unless the board asks for it. He said the board should very clearly ask Buck for the rate required under the level percentage of pay method (calculated on the entire wage base as now allowed in SB 123).

MR. SEMMENS said the board also needs to discuss when it is going to set the employer contribution rate for FY09. The original schedule was for the board to receive the actuarial valuation at the April meeting and then make the decision at the June meeting. Now the board is going to get the actuarial information in June. If SB 125 goes forward, the employers will know what the contribution rates are, so the board does not have quite as big a timing issue as far as municipalities setting their budgets. However, the State of Alaska would probably be interested in knowing what the ARM Board sets the employer contribution rate at before the State's budget process gets going.

MR. SEMMENS requested that Buck Consultants be asked to provide the rate necessary using a level percentage of pay method. Then if Mr. Teal or the Administration is going to keep working on a plan to amortize the unfunded liability over a 25-year period and get a glide path rate, that is fine. The ARMB should be kept apprised of how that is going and might even want to be involved in that process. The board certainly wants to know when it would be expected to set the contribution rate.

COMMISSIONER KREITZER asked Pat Shier to bring the board up to date on what has been done so far. She said she appreciated Mr. Teal's work, but it would be the Department of Administration that works with the actuaries. The Department would be glad to include the Legislature in any discussions or further exploration of how to continue making it a "softer landing" for municipalities in the state.

PATRICK SHIER, Director of the Division of Retirement and Benefits, reported that he has already opened that discussion with the consultants and sent a copy of the email to Mr. Bader. They concur that it will be a different valuation if the board does decide that it would prefer the percentage level pay. The Department has been reluctant to pull the trigger on that until SB 123 is passed and signed by the Governor. The Department has also discussed with the consultant and with Mr. Bader the opportunity to have the consultant conduct a work session with the interested parties, per their contract. One suggestion is to have that work session at the next scheduled board meeting in June.

MR. TRIVETTE asked that trustees be given enough time on the agenda to ask all the questions they want to ask. He noted that when the board got to work with the primary and secondary actuaries last fall the meeting concluded at 5:30 p.m. and there was not enough time to discuss issues back and forth like he would have liked to have seen. He said dealing with the contribution rates is one of the board's most critical issues, and it has a huge impact upon all the employers.

CHAIR SCHUBERT requested that staff ensure that the board has enough time on the agenda to thoroughly vet this issue.

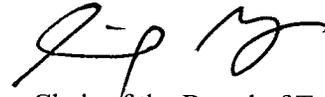
COMMISSIONER KREITZER suggested holding the work session with the actuary the day prior to the June board meeting in Anchorage. Then people would have lots of time for questions and discussion.

Other board members expressed support for that idea, and staff was given the task of setting the schedule and securing meeting space in Anchorage.

PUBLIC/TRUSTEE COMMENTS - None.

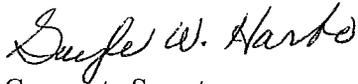
ADJOURNMENT

THERE BEING NO OBJECTION AND NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE MEETING WAS ADJOURNED AT 9:27 A.M., ON A MOTION MADE BY MR. TRIVETTE AND SECONDED BY MR. WILLIAMS.



Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:



Corporate Secretary

Note: The summary minutes are extracted from staff's tape recording of the meeting and are prepared by an outside contractor. For in-depth discussion and presentation details, please refer to tapes of the meeting and presentation materials on file at the ARMB office.

Confidential Office Services
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